

**COMMUNITY  
CONNECTIONS, INC.**

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT

June 30, 2016 and 2015



# FREDRICKZINK & Associates

A professional corporation. | CPAs

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Connections, Inc.  
Durango, Colorado

We have audited the accompanying financial statements of Community Connections, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

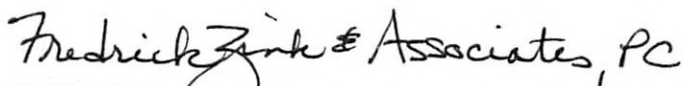
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Connections, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



FredrickZink & Associates, PC  
October 31, 2016

## FINANCIAL STATEMENTS

# **COMMUNITY CONNECTIONS, INC.**

## **STATEMENTS OF FINANCIAL POSITION**

June 30, 2016 and 2015

### **ASSETS**

	<u>2016</u>	<u>2015</u>
<b>Current assets</b>		
Cash and cash equivalents (Note 15).....	\$ 537,953	\$ 474,315
Cash - two month operating reserve (Notes 10 and 15).....	903,000	837,500
Fees and grants due from governmental agencies (Note 4).....	421,707	509,591
Accounts receivable, net of allowance of \$21,479 in 2016 and \$10,006 in 2015.....	18,107	23,394
Current portion of long-term contribution receivable (Note 6).....	9,250	9,250
Prepaid expenses and other.....	5,423	13,362
Total current assets.....	<u>1,895,440</u>	<u>1,867,412</u>
<b>Non-current assets</b>		
Investments (Note 3).....	249,406	49,617
Property and equipment, net (Notes 5 and 9).....	1,100,557	1,153,728
Long-term contribution receivable, net of current portion (Note 6).....	64,750	74,000
Total non-current assets.....	<u>1,414,713</u>	<u>1,277,345</u>
<b>Total assets.....</b>	<b><u>\$ 3,310,153</u></b>	<b><u>\$ 3,144,757</u></b>

### **LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accounts payable and accrued expenses (Note 15).....	\$ 542,211	\$ 484,765
Deferred revenue (Note 7).....	5,142	20,397
Current portion of notes payable (Note 8).....	11,692	11,055
Total current liabilities.....	<u>559,045</u>	<u>516,217</u>
<b>Long-term liabilities</b>		
Notes payable, net of current portion (Note 8).....	249,842	261,761
Total liabilities.....	<u>808,887</u>	<u>777,978</u>
<b>Net assets</b>		
Unrestricted		
Undesignated.....	677,266	556,486
Board designated operating reserves (Note 10).....	903,000	837,500
Net investment in property and equipment.....	839,023	880,912
Total unrestricted.....	<u>2,419,289</u>	<u>2,274,898</u>
Temporarily restricted (Note 11).....	81,977	91,881
Total net assets.....	<u>2,501,266</u>	<u>2,366,779</u>
<b>Total liabilities and net assets.....</b>	<b><u>\$ 3,310,153</u></b>	<b><u>\$ 3,144,757</u></b>

The accompanying notes are an integral part of these financial statements.

# **COMMUNITY CONNECTIONS, INC.**

## **STATEMENTS OF ACTIVITIES**

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Unrestricted net assets activity:</b>		
Support and revenue		
Fees and grants from governmental agencies		
Fees for services		
State of Colorado		
State General Fund		
Comprehensive services.....	\$ 14,641	\$ 58,103
Adult supported living services.....	166,934	215,577
Early intervention.....	167,639	149,343
Family support services program.....	243,299	208,671
Total fees from State General Fund.....	<u>592,513</u>	<u>631,694</u>
Medicaid		
Comprehensive services.....	3,607,164	3,431,228
Adult supported living services.....	610,899	573,700
Children's extensive supports.....	54,052	37,131
Early intervention.....	68,388	89,754
Home and community based services.....	10,197	12,093
Total fees from Medicaid.....	<u>4,350,700</u>	<u>4,143,906</u>
Grants and other government sources		
State Part C - Early intervention.....	14,525	71,959
Counties and cities.....	95,983	92,500
Department of Housing and Urban Development.....	2,825	7,187
Other.....	6,892	14,556
Total grants and other government sources.....	<u>120,225</u>	<u>186,202</u>
Total fees and grants from governmental agencies.....	5,063,438	4,961,802
Public support - contributions.....	47,107	74,295
Public support - in-kind contributions.....	13,563	17,135
Residential room and board.....	456,959	440,953
Other revenue.....	44,240	70,783
Total before reclassifications.....	<u>5,625,307</u>	<u>5,564,968</u>
Net assets released from restrictions.....	<u>11,904</u>	<u>15,580</u>
Total support and revenue.....	<u>5,637,211</u>	<u>5,580,548</u>

The accompanying notes are an integral part of these financial statements.

# **COMMUNITY CONNECTIONS, INC.**

## STATEMENTS OF ACTIVITIES - Continued For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Expenses and losses		
Program services		
Medicaid comprehensive services.....	\$ 3,329,642	\$ 3,066,898
State adult supported living services.....	109,956	97,691
Medicaid adult supported living services.....	529,455	481,785
Children's extensive supports.....	37,092	24,970
Early intervention.....	208,265	232,212
Family support services program.....	136,290	113,796
Case management.....	469,058	422,476
Other program services.....	24,220	32,169
Total program services.....	<u>4,843,978</u>	<u>4,471,997</u>
Supporting services		
Management and general.....	614,030	605,640
Fundraising (Note 12).....	23,339	31,659
Bad debt provision.....	11,473	7,621
Total supporting services.....	<u>648,842</u>	<u>644,920</u>
Total expenses and losses.....	<u>5,492,820</u>	<u>5,116,917</u>
Change in unrestricted net assets.....	<u>144,391</u>	<u>463,631</u>
<b>Temporarily restricted net assets activity:</b>		
Public support - contributions.....	2,000	6,530
Net assets released from restrictions.....	<u>(11,904)</u>	<u>(15,580)</u>
Change in temporarily restricted net assets.....	<u>(9,904)</u>	<u>(9,050)</u>
<b>Change in total net assets.....</b>	<b>134,487</b>	454,581
Net assets, beginning of year.....	<u>2,366,779</u>	<u>1,912,198</u>
<b>Net assets, end of year.....</b>	<b><u>\$ 2,501,266</u></b>	<b><u>\$ 2,366,779</u></b>

The accompanying notes are an integral part of these financial statements.

# **COMMUNITY CONNECTIONS, INC.**

## **STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2016 and 2015

### **Increase (Decrease) in Cash and Cash Equivalents**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Cash received from governmental agencies and others.....	\$ 5,690,537	\$ 5,443,664
Cash paid to suppliers and employees.....	(5,329,459)	(4,930,349)
Interest received.....	1,764	1,556
Interest paid.....	(15,237)	(15,597)
Net cash provided by operating activities.....	<u>347,605</u>	<u>499,274</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment.....	(7,685)	(13,557)
Proceeds from sale of property and equipment.....	500	-
Decrease in restricted cash.....	-	17,470
Purchases of investments.....	(200,000)	(50,000)
Net cash used by investing activities.....	<u>(207,185)</u>	<u>(46,087)</u>
<b>Cash flows from financing activities:</b>		
Payments made on notes payable.....	(11,282)	(10,044)
Payments made on capital leases.....	-	(4,014)
Payments made on bonds payable.....	-	(29,007)
Net cash used by financing activities.....	<u>(11,282)</u>	<u>(43,065)</u>
<b>Net increase in cash and cash equivalents.....</b>	<b>129,138</b>	410,122
Cash and cash equivalents, beginning of year.....	1,311,815	901,693
Cash and cash equivalents, end of year.....	<u>\$ 1,440,953</u>	<u>\$ 1,311,815</u>
Cash and cash equivalents as reported on the statement of financial position		
Cash and cash equivalents.....	\$ 537,953	\$ 474,315
Cash - two month operating reserve.....	903,000	837,500
	<u>\$ 1,440,953</u>	<u>\$ 1,311,815</u>

### **Non-cash investing and financing activities:**

During 2015, donated labor with a fair value of \$2,055 was capitalized as a depreciable asset.

The accompanying notes are an integral part of these financial statements.

# **COMMUNITY CONNECTIONS, INC.**

## STATEMENTS OF CASH FLOWS - Continued

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of change in net assets to net cash provided</b>		
<b>by operating activities:</b>		
Change in net assets.....	\$ 134,487	\$ 454,581
<b>Adjustments to reconcile:</b>		
Donated services and materials capitalized.....	-	(2,055)
Depreciation and amortization.....	60,856	75,052
(Gain) loss on disposal of property and equipment.....	(500)	541
Change in allowance for uncollectible client accounts receivable.....	11,473	5,979
Net loss on investments.....	211	383
Non-cash expense (land lease).....	9,250	9,250
Decrease (increase) in		
Fees and grants due from governmental agencies.....	87,884	(119,524)
Accounts receivable.....	(6,186)	(6,032)
Prepaid expenses and other.....	7,939	39,158
Increase (decrease) in		
Accounts payable and accrued expenses.....	57,446	39,466
Deferred revenue.....	(15,255)	2,475
Total adjustments.....	<u>213,118</u>	<u>44,693</u>
<b>Net cash provided by operating activities.....</b>	<b><u>\$ 347,605</u></b>	<b><u>\$ 499,274</u></b>

The accompanying notes are an integral part of these financial statements.

# **COMMUNITY CONNECTIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2016 and 2015

### **NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

Community Connections, Inc. (the Center) was incorporated under the laws of the State of Colorado in 1985 for the purpose of providing a community center board to coordinate programs through interagency cooperation and local agencies to provide services to persons with intellectual and developmental disabilities in La Plata, Archuleta, Montezuma, Dolores, and San Juan Counties. The Center's revenue comes primarily from the State of Colorado for services provided. The major program services or supports and functional activities directly provided or purchased by the Center are:

#### **Adult Comprehensive Services (Residential)**

Comprehensive services (State and Medicaid funded) provide a full day (24 hours) of services and/or supports for adults which are designed to ensure the health, safety and welfare of the individual, and to assist in the acquisition, retention and/or improvement in skills necessary to support individuals to live and participate successfully in their community. These services are individually planned and coordinated through the person's Service Plan (SP). Additionally, services are provided to give individuals opportunities to experience and actively participate in valued roles in the community. These services may include a combination of life-long or extended duration supervision, training, and/or support such as Day Habilitation services and Supported Employment.

#### **Adult Supported Living Services**

Adult supported living services (State and Medicaid funded) augment already available supports for those adults who either can live independently with limited support or who, if they need extensive support, are getting that support from other sources, such as family. Services provided may include a combination of life-long or extended duration supervision, training, and/or support such as Day Habilitation Services and Supported Employment. The Center has no responsibility for the living arrangement in the community.

#### **Children's Extensive Supports**

Children's extensive supports provide needed services and supports to eligible children under the age of eighteen years in order for the child to remain or return to the family home. This program is a deeming waiver meaning only the child's income is considered in determining eligibility. Waiver services are targeted to children having extensive support needs, which require constant line-of-sight supervision due to significantly challenging behaviors and/or coexisting medical conditions. Available services include personal assistance, household modifications, specialized medical equipment and supplies, professional service, and community connections services.

#### **Early Intervention**

Early intervention is a program for children from birth through age two offering infants and toddlers and their families services and supports to enhance child development in the areas of cognition, speech, communication, physical, motor, vision, hearing, social-emotional developmental, and self-help skills, parent-child or family interactions; and early identification, screening and assessment services.

#### **Family Support Services Program**

Family support services provide an array of supportive services to the person with an intellectual and development disability and his/her family when the person remains within the family home, thereby preventing or delaying the need for out-of-home placement that is unwanted by the person or the family.

#### **Home and Community Based Services**

Home and community based services provide Medicaid benefits of case management and supportive services for children with disabilities from birth through age seventeen who would otherwise be ineligible for Medicaid due to excess parental income and/or resources. Children must be at risk of nursing facility or hospital placement.

# **COMMUNITY CONNECTIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES - Continued**

#### **Case Management**

Case management includes the determination of eligibility for services and supports, service and support coordination, and the monitoring of all services and supports delivered pursuant to an individual Service Plan, and the evaluation of results identified in the individual Service Plan.

#### **Other Program Services**

Other program services include programs that provide funding for a school year activity program in Durango and provide additional support to children and families.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of accounting and presentation**

The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The Center reports information regarding its financial position and activities according to three general classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. Donor restricted revenue for which restrictions are satisfied in the same fiscal year, are reported as unrestricted revenue, rather than temporarily restricted. Donor restricted contributions for which restrictions are not currently met, are reflected as an increase to temporarily restricted net assets.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates. Estimates affect financial statement amounts and the disclosure of contingent assets and liabilities at the date of the financial statements. Due to their inherent nature, estimates may differ from future actual results.

#### **Cash and cash equivalents**

For purposes of the statement of cash flows, the Center defines cash or cash equivalents as all cash on hand and cash on deposit, subject to immediate withdrawal, and certificates of deposits with an original maturity of three months or less.

#### **Investments**

Investments in marketable securities are carried at the quoted market value of the securities. Total investment return consists of investment income in the form of interest and dividends and realized and unrealized gains and losses as reported on the statement of activities, less administrative fees and taxes.

#### **Receivables**

The majority of the Center's receivables are due from the State of Colorado through Medicaid funding. Other accounts receivables are primarily due from consumers for room and board. Accounts are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts considering a number of factors, including the length of time accounts receivables are past due and the Center's previous collection history. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

# **COMMUNITY CONNECTIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Fair value of financial instruments**

Generally accepted accounting principles (GAAP) requires disclosure of an estimate of fair value of certain financial instruments. The Center's significant financial instruments are cash, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

#### **Fair value measurements**

The Organization applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

#### **Property and equipment**

Property and equipment are stated at cost at date of acquisition or estimated fair value at date of donation. The Center capitalizes property and equipment acquisitions of \$1,000 or more that have a useful life of more than two years. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. Lives are estimated at five to forty years for buildings and improvements, and three to ten years for equipment.

#### **Revenue recognition**

Revenues are recognized when services are performed. Deferred revenue represents payments received by the Center not spent in the current year, but for which the Center has met certain control points. Under contract provisions, the Center is allowed to defer a portion of unspent awards to the following year.

#### **In-kind donations**

Contributions of property, material, and personal services are known as in-kind donations and are recorded at estimated value as of the date received. These donations (other than contributions of property and equipment) are included as program costs to properly reflect the total cost of the particular program.

#### **Income taxes**

The Center is exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Center adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Center continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. When the Center has unrelated business income, the federal Exempt Organization Business Income Tax Return (Form 990T) would be subject to examination by the Internal Revenue Service for three years after filing. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

#### **Reclassifications**

Certain reclassifications have been made to the prior year statement presentation to correspond to the current year's format. Total net assets and change in total net assets are unchanged by these reclassifications.

# **COMMUNITY CONNECTIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS - Continued** June 30, 2016 and 2015

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Subsequent events**

Management has evaluated subsequent events through October 31, 2016, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

### **NOTE 3 - INVESTMENTS**

Investments are carried at market value. Market values are provided by the brokerage firm and are based on quoted market prices (a Level 1 measurement) as of the date of the statement of financial position. Market risk exists and potential gains and losses are dependent on future changes in market prices of various investments held.

The Organization's investment account includes cash, cash equivalents and mutual funds. At June 30, 2016, the account consisted of the following:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Cash and Equivalents	\$ 5,655	\$ 5,655	\$ 1,500	\$ 1,500
Mutual Funds	252,718	243,751	48,500	48,117
	\$ 258,373	\$ 249,406	\$ 50,000	\$ 49,617

Net investment return is included in other revenue in the accompanying statements of activities. The net loss generated by investments is summarized as follows for the respective years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 10,376	\$ 2
Unrealized gains (losses)	(8,741)	(385)
Total investment income (loss) before expenses	1,635	(383)
Custodial fees	(1,846)	-
Investment income (loss), net of expenses	\$ (211)	\$ (383)

### **NOTE 4 - FEES AND GRANTS DUE FROM GOVERNMENTAL AGENCIES**

Amounts receivable due from governmental agencies at June 30, 2016 and 2015 were as follows:

	2016	2015
State of Colorado		
General Fund	\$ 98,767	\$ 48,304
Medicaid	275,365	383,401
Part C	10,527	33,403
Other	-	9,600
Due from State of Colorado	384,659	474,708
Local governments	27,835	25,175
Other	9,213	9,708
	\$ 421,707	\$ 509,591

# **COMMUNITY CONNECTIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS - Continued**

June 30, 2016 and 2015

### **NOTE 5 - PROPERTY AND EQUIPMENT**

The cost of property and equipment and related accumulated depreciation at June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 296,898	\$ 296,898
Buildings and improvements	1,587,102	1,584,359
Program and administrative equipment	258,548	330,970
Construction in progress	<u>3,870</u>	<u>-</u>
	2,146,418	2,212,227
Accumulated depreciation and amortization	<u>(1,045,861)</u>	<u>(1,058,499)</u>
Net property and equipment	<u>\$ 1,100,557</u>	<u>\$ 1,153,728</u>

### **NOTE 6 - CONTRIBUTED USE OF LAND**

In 1984, the City of Durango approved a 20-year lease for the use of land by the Center for \$1 per year. During that year the Center had a new facility built with a grant that restricted the use of the building. In 1996, the restriction was removed and the Center obtained unrestricted use of the facility. In 2004, the City of Durango renewed the land lease for another 20 years for \$1 per year. The Center assigned a value of \$185,000 to the land based on the median sale price of similar property in 2004. Since title to the property was not conveyed to the Center, the Center cannot recognize the land as an asset; rather, a restricted contribution for the use of the land equal to its estimated value was recognized in 2004, along with a long-term contribution receivable. The receivable is reduced annually through the recognition of rental expense for one-twentieth of the value, which releases that amount from restriction. The balance of the receivable was \$74,000 and \$83,250 at June 30, 2016 and 2015, respectively, including \$9,250 classified as current each year. Rent expense of \$9,250 was recognized during each of the years ended June 30, 2016 and 2015.

### **NOTE 7 - DEFERRED REVENUE**

Deferred revenue of \$5,142 at June 30, 2016 consisted of unearned family supported service funds. Deferred revenue of \$20,397 at June 30, 2015 consisted of \$17,847 unearned State adult supported living services fees and \$2,550 of unearned grant funds.

# **COMMUNITY CONNECTIONS, INC.**

## NOTES TO FINANCIAL STATEMENTS - Continued

June 30, 2016 and 2015

### **NOTE 8 - NOTES PAYABLE**

At June 30, 2016 and 2015, the Center had the following notes payable:

	<u>2016</u>	<u>2015</u>
Note payable to Wells Fargo Bank, due February 2029, payable in monthly installments of \$1,122 including interest at 5.75%, guaranteed by a deed of trust on a residential facility with a carrying value of \$135,908	\$ 120,107	\$ 126,776
Note payable to First National Bank of Durango, due February 2035, payable in monthly installments of \$979 including interest at 6.00%, guaranteed by USDA and collateralized by inventory, accounts receivable and equipment and a deed of trust on a residential facility with a carrying value of \$164,411	130,405	134,077
Note payable to First National Bank of Durango, due February 2035, payable in monthly installments of \$104 including variable interest equal to the Wall Street Journal prime rate index (3.50% at June 30, 2016), and collateralized by a second deed of trust on a residential facility with a carrying value of \$164,411	<u>11,022</u>	<u>11,963</u>
Total	261,534	272,816
Less: current portion	<u>11,692</u>	<u>11,055</u>
Long-term portion	<u>\$ 249,842</u>	<u>\$ 261,761</u>

Future maturities of notes payable at June 30, 2016 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 11,692
2018	12,367
2019	13,081
2020	13,837
2021	14,637
Thereafter	<u>195,920</u>
	<u>\$ 261,534</u>

Interest expense on notes payable was \$15,237 and \$15,597 for the years ended June 30, 2016 and 2015, respectively.

#### Line of Credit

The Center has a \$200,000 line of credit arrangement with Alpine Bank expiring in April 2019. The line is secured by a lien on all business assets and carries certain financial covenants. The interest rate applied to outstanding borrowings is fixed at 6.00%. Nothing was borrowed against the line during the years ended June 30, 2016 or 2015.

# **COMMUNITY CONNECTIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS - Continued** June 30, 2016 and 2015

### **NOTE 9 - COMMITMENTS**

#### Operating leases

The Center entered into an agreement for telecom services for a period of five years ending in 2018. The total annual rate was \$20,346 and \$19,440 for the years ended June 30, 2016 and 2015, respectively. The Center also has two operating leases of \$5,160 and \$2,116 annually for the use of office equipment through December 2016 and April 2020, respectively.

Future minimum lease payments as of June 30, 2016 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2017	\$ 25,042
2018	12,289
2019	2,116
2020	1,763
	<u>\$ 41,210</u>

#### Capital lease obligation

The Center leased office equipment under two capital leases that expired in 2015. Assets and liabilities under capital leases were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset and amortized over the lesser of their estimated productive lives or the life of the lease. In this case, the fair value of \$21,988 was recorded and the assets are amortized over the 5 year life of the lease at interest rates ranging from 3.58% to 5.14%. The Center has elected not to enter into new capital lease agreements in 2016. Amortization of \$4,015 is included in depreciation expense for the year ended June 30, 2015.

### **NOTE 10 - BOARD DESIGNATED OPERATING RESERVES**

During 2014, the Board of Trustees approved the establishment of an operating reserve. Operating reserves are the portion of available unrestricted net assets that are specifically reserved for use in emergencies to sustain operations in the event of significant unanticipated increases in operating expenses or reductions in operating revenues, or both. The reserve balance is \$903,000 and \$837,500 for years ended June 30, 2016 and 2015, respectively. Operating reserves give the Center greater financial stability and flexibility to respond to potential threats in the future. The reserve represents approximately two months of operating expenses. An equal amount of cash has been separately identified on the accompanying statement of financial position.

### **NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2016 and 2015 included the following:

	<u>2016</u>	<u>2015</u>
Contributed use of land (Note 6)	\$ 74,000	83,250
Green House	5,208	5,208
Family Support Services Program	1,631	731
Community Center	1,138	1,726
Benefit Dance – client needs	-	966
Total temporarily restricted net assets	<u>\$ 81,977</u>	<u>\$ 91,881</u>

# **COMMUNITY CONNECTIONS, INC.**

## **NOTES TO FINANCIAL STATEMENTS - Continued** June 30, 2016 and 2015

### **NOTE 12 - SPECIAL EVENTS**

During 2016 and 2015, the Center held two special events for the purpose of fundraising.

	<u>2016</u>	<u>2015</u>
Cash contributions	\$ 20,351	\$ 38,216
Non-cash contributions	<u>12,000</u>	<u>15,080</u>
Special event income	<u>32,351</u>	<u>53,296</u>
Direct expenses	11,339	16,579
Value of donated space and materials	<u>12,000</u>	<u>15,080</u>
Total event cost	<u>23,339</u>	<u>31,659</u>
Net special event income	<u>\$ 9,012</u>	<u>\$ 21,637</u>

### **NOTE 13 - RETIREMENT PLAN**

The Center maintains a 401(k) plan for the benefit of its employees. All employees who have completed one year of service and are age 21 or older may participate in the Plan. Employees may elect to make a salary reduction contribution of up to \$17,500 annually. Contributions made by the employee are immediately vested. During 2016, plan expenses for fees incurred by the employer were \$2,807. For the year ended June 30, 2015 employer plan expenses totaled \$1,500.

### **NOTE 14 - RELATED PARTY TRANSACTIONS**

The State of Colorado is considered a related party by virtue of significant management influence exercised by the State through contract provisions. The Center received a substantial portion of its revenue from the State of Colorado as identified in the statement of activities. The amount due to the Center from the State of Colorado is described in Note 4. The Center had balances due to the State of Colorado for expenses and reimbursements, which are recorded in accounts payable and accrued expenses. The balances due at June 30, 2016 and 2015 were \$55,302 and \$49,937, respectively.

### **NOTE 15 - CONCENTRATION OF RISK**

#### Deposit risk

The Center maintains cash on deposit with various financial institutions which are members of the Federal Deposit Insurance Corporation (FDIC). The FDIC insures deposits up to \$250,000 for each depositor at each institution. Based on bank account balances at June 30, 2016, the Center had cash balances in excess of the insured limit of \$1,179,719 at Alpine Bank.

#### Credit risk

During the years ended June 30, 2016 and 2015, bad debt expense of \$11,473 and \$7,621, respectively, was recognized as a supporting service expense.

#### ACA estimated penalty

The Center elected to discontinue health insurance for its employees. Failure to provide such insurance in accordance with the federal Affordable Care Act will result in future penalties. A liability of \$62,333 has been accrued as of June 30, 2016 to recognize the estimated expense.

## **SUPPLEMENTARY INFORMATION**

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Community Connections, Inc.  
Durango, Colorado

We have audited the financial statements of Community Connections, Inc. (a nonprofit organization) as of and for the years ended June 30, 2016 and 2015, and have issued our report thereon dated October 31, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedule of case management services is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited" and upon which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The statistical data shown on page 15 and marked as "unaudited", is the responsibility of management, and is presented for purposes of additional analysis and is not a required part of the financial statements. That non-accounting information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*FredrickZink & Associates, PC*

FredrickZink & Associates, PC  
October 31, 2016

**COMMUNITY CONNECTIONS, INC.**

**SCHEDULE OF CASE MANAGEMENT SERVICES**

For the year ended June 30, 2016

	<u>Targeted case management</u>	<u>Other case management</u>	<u>Total</u>
Fees and grants from governmental agencies			
Fees for Services			
State of Colorado			
State General Fund			
Comprehensive services.....	\$ -	\$ 14,641	\$ 14,641
Adult supported living services.....	-	35,413	35,413
Children and families			
Early Intervention.....	-	38,857	38,857
Family support services program.....	-	18,121	18,121
Other.....	-	315	315
Medicaid			
Comprehensive services.....	176,053	23,989	200,042
Adult supported living services.....	98,154	20,993	119,147
Children's extensive supports.....	6,410	1,758	8,168
Early intervention.....	37,935	-	37,935
Home and community based services.....	-	10,197	10,197
Part C.....	-	3,998	3,998
Total support and revenue.....	<u>\$ 318,552</u>	<u>\$ 168,282</u>	<u>\$ 486,834</u>

	<u>Targeted case management</u>	<u>Other case management</u>	<u>Total</u>
Statistical Data (Unaudited)			
Unduplicated number of individuals	194	253	447
Full-time equivalents	6	3.25	9.25

# **COMMUNITY CONNECTIONS, INC.**

## SCHEDULE OF CASE MANAGEMENT SERVICES - Continued

For the year ended June 30, 2016

	<u>Targeted case management</u>	<u>Other case management</u>	<u>Total</u>
Expenses			
Salaries			
Direct care.....	\$ 261,571	\$ 127,333	\$ 388,904
Other.....	-	-	-
Payroll taxes.....	20,984	10,195	31,179
Employee benefits.....	527	258	785
Total personal services.....	<u>283,082</u>	<u>137,786</u>	<u>420,868</u>
Medical professional services			
Physicians.....	-	-	-
Other.....	-	-	-
Other professional services.....	82	92	174
Staff development.....	2,755	1,201	3,956
Staff travel.....	3,965	2,618	6,583
Vehicles			
Fuel and oil.....	-	-	-
Maintenance.....	-	-	-
Leases.....	-	-	-
Occupancy			
Rent.....	2,765	1,795	4,560
Maintenance.....	184	120	304
Utilities.....	681	280	961
Equipment			
Leases.....	-	-	-
Maintenance.....	-	-	-
Supplies			
Medical and client care supplies.....	-	-	-
Pharmacy.....	-	-	-
Productions materials.....	-	-	-
Other.....	1,135	573	1,708
Telephone.....	1,126	699	1,825
Dues and subscriptions.....	-	-	-
Food.....	-	-	-
Insurance.....	1,828	890	2,718
Interest.....	-	-	-
Other.....	8,184	3,071	11,255
Insurance penalty.....	6,442	2,712	9,154
Total direct program expenses.....	<u>312,229</u>	<u>151,837</u>	<u>464,066</u>
Depreciation and amortization.....	<u>3,711</u>	<u>1,281</u>	<u>4,992</u>
Total expenses.....	<u>\$ 315,940</u>	<u>\$ 153,118</u>	<u>\$ 469,058</u>



# FREDRICKZINK & Associates

A professional corporation. | CPAs

October 31, 2016

To the Board of Directors  
Community Connections, Inc.  
Durango, Colorado

We have audited the financial statements of Community Connections, Inc. for the year ended June 30, 2016, and have issued our report thereon dated October 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 2, 2016. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Community Connections, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the collectability of accounts receivable. This estimate was based on subsequent and past collection history.

Management's estimate of the useful lives of depreciable assets and the appropriate charge-off method. The estimates were based on common conventions.

Management's estimate of the value of the contributed long-term use of land. The estimate was based on sales prices of similar properties.

We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in related to the financial statements taken as a whole.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, except as noted below. In addition, none of the misstatements detected as a result of audit procedures and corrected by management had a material effect on total net assets either individually or in the aggregate. Significant reclassification entries were recorded in order for the Organization's financial statements to conform to presentation requirements of generally accepted accounting principles. Reclassification entries have no net effect on the change in net assets or total net assets.

There was one uncorrected misstatement detected as a result of audit procedures. This misstatement was an understatement of revenue of \$4,869 and an equal overstatement of deferred revenue. Management has determined that the effect is immaterial to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 31, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Community Connections, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

*Fredrick Zink & Associates, PC*

FredrickZink & Associates, PC